

Dependent Care

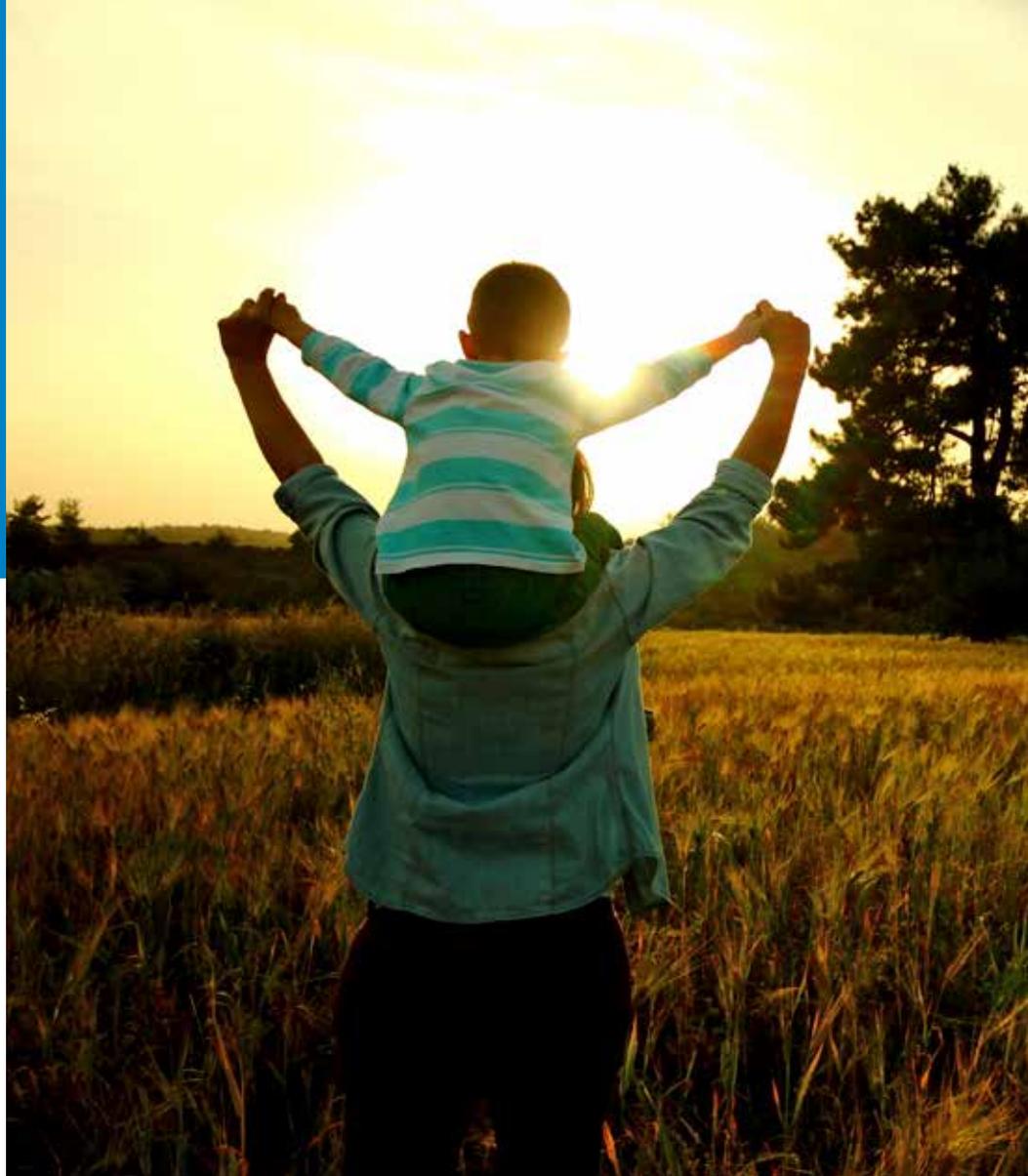
FSA

Flexible Spending
Account

Welcome to your flexible spending account (FSA) from Blue Cross and Blue Shield of Vermont.

As your trusted partner in health and wellness, we're making these FSA accounts intuitive, accessible and pain free. Everything you need is just a tap, click, call or swipe away.

If you have questions or need more information about an FSA, our expert customer service team is ready to help.



Introducing the FSA

A dependent care flexible spending account (FSA) is a personal expense account that allows you to set aside a portion of your salary pretax. You can use that money to pay for certain dependent care costs such as daycare, preschool and after-school programs, and eldercare, tax-free.

Depending on your tax bracket, a dependent care FSA can help you save as much as 28 to 40 percent on most of these costs.¹

¹See your tax advisor with questions.

How a dependent care FSA works

 Estimate your dependent care costs next year. (Plan wisely. Depending on the plan your employer sets up, any unused money will be forfeited at the end of the plan year or grace period.)

 Select how much to withhold from your pay at enrollment.

 The amount you select is withheld pretax from your pay in equal portions throughout the year and put into your FSA.

 Once it's in your FSA, the money is ready to use for dependent care costs. Simply submit your receipts and get reimbursed up to the available balance in your account.

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Pay for dependent care expenses tax-free

All systems go!

For your FSA to work, use it for these:

- Licensed day care facilities
- Licensed pre-school and after-school programs
- In home care services
- Eldercare
- Special day camp expenses

Heads up!

You can't use your FSA for these:

- Care for children age 13 or older except special circumstances
- Care provided by an individual without a tax ID or Social Security number
- School expenses including kindergarten
- Late fees or fees charged for missed days
- Overnight camp
- Meals and food items
- After-school sports or enrichment
- Transportation or activity fees

NOTE: It's important to save all your receipts to validate expenses, as required by the IRS.



Select a dependent care FSA at enrollment

Get connected when you receive your Spending Account I.D. number in the mail.

Learn more. Talk to a health care spending administration expert.

Your sales representative can provide you with more information.

Need help?

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Medical FSA

Flexible Spending Account

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Introducing the FSA

A flexible spending account (FSA) is a personal expense account that works with your health plan. Each year you can set aside a portion of your salary pretax. You can use that money to pay for medical costs not paid for by your health plan.

Depending on your tax bracket, an FSA can help you save as much as 10 to 40 percent on most of these costs.¹

¹See your tax advisor with questions.



How a medical FSA works



Decide how much you may pay for medical, dental and vision costs next year. (Plan wisely. Depending on the plan your employer sets up, any unused money may be forfeited at the end of the plan year or grace period.)



The amount you select is withheld pretax from your pay in equal portions throughout the year and put into your FSA.



Your total FSA contribution is available from day one, even if it has not all been deposited into your account.



Pay your out-of-pocket medical bills using a Blue Cross and Blue Shield of Vermont Visa® Debit Card or by submitting receipts for reimbursement.²

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Pay for health care expenses tax free

All systems go!

Use your FSA for these:

- Medical expenses that your plan doesn't cover:
 - Out-of-pocket expenses until you reach your deductible
 - Copayments, coinsurance and prescription drugs
- Dental and vision care not covered by your health plans

Heads up!

You can't use your FSA for these:

- Health insurance monthly premiums
- Expenses that aren't related to medical treatment or care as defined by the IRS

It's important to save all your receipts and explanation of benefits (EOB) statements to validate expenses, as required by the IRS.



Select a medical FSA at enrollment

- Contribute only what you think you'll need within the next plan year.
- If your employer includes a Blue Cross and Blue Shield of Vermont Visa® Debit Card,² BCBSVT will send it by mail.
- You'll receive a Spending Account I.D. number by mail.

²The Blue Cross and Blue Shield of Vermont Visa® Debit Card Debit Card is issued by The Bancorp Bank, pursuant to a license from Visa U.S.A. Inc. and can be used for qualified expenses wherever Visa debit cards are accepted.

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Fact sheet:

Flexible Spending Accounts (FSAs)

Q: What is an FSA and how does it work?

A: A Flexible Spending Account (FSAs) is an employer-sponsored spending account that allows employees to set aside pretax earnings to pay for eligible health care or dependent care expenses. Pretax funds are deducted from each paycheck and automatically deposited into an FSA account. Employees decide how much to contribute, tax-free, for the year.

Q: What expenses are eligible?

A: Any out-of-pocket and unreimbursed medical expenses allowed under section 213(d) of the Internal Revenue Code, except health insurance premiums and long-term care services. FSAs can also be used for day care or other dependent care expenses required to allow an individual to work. A complete list can be found on the [Learning Center](#).

Q: How is an FSA funded?

A: Employees make pretax contributions through automatic payroll deductions. Employers can also decide to contribute, up to a maximum amount.

Q: What are the benefits to employees?

A: Pretax contributions lower taxable income, and reimbursements are made tax-free from the employee's account. In addition, an employee has access to the entire elected amount on the first day of the plan year.

Q: How do employers save money?

A: FSA programs can lower employers' FICA taxes on employee payroll and possibly what is paid for other benefits plans, such as workers' compensation and disability, that are based on employees' taxable income.

Q: What types of FSAs are available?

A: There are two types of FSAs employers can offer to employees. Employees can participate in one or both.

- **Medical FSA** — This type of FSA allows employees to pay for eligible expenses that are not covered by the health plan, such as deductibles, coinsurance, dental care, orthodontia and vision care. The total amount the employee chooses to contribute is available to them on the first day of the plan year, even if they have not actually contributed that much yet.
- **Dependent Care FSA** — This type of FSA allows employees to pay for day care expenses for their children under age 13 or for older dependents not capable of self-care needed to allow an employee to work. With a dependent care FSA, the money must be in the employee's account before you can request reimbursement.



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The Blue Cross and Blue Shield of Vermont difference

With every plan, you and your clients get:

- Award-winning customer service
- Hassle-free health care spending and savings administration
- Online Learning Center that provides an all-in-one digital library

Medical FSA	Dependent Care FSA
Covers medical costs, orthodontic care, dental, and vision.	Covers daycare for children under age 13 and other dependents not capable of self-care.
Employee contribution maximum: \$2,750	Employee contribution maximum: \$5,000

Q: What is the main difference between an FSA and an HSA?

A: With both a health savings account (HSA) and an FSA, account holders make tax-deductible contributions. HSAs are individually owned while FSAs are part of the employer's cafeteria plan. Employers, family members and any other individuals can contribute to an HSA account. An FSA must be funded exclusively through employer contributions or employee pre-tax contributions. HSA balances continue forward until spent and an employee can take the account with them should they leave the company or retire. With an FSA, funds remaining at the end of the plan year are forfeited to the employer.

Q: Is a debit card available?

A: Yes. A Visa® Debit Card is available for eligible medical expenses, and can be used at the point of purchase or after care.¹

Q: What happens to funds at the end of the year?

A: Unused money in an FSA account is handled in one of three ways based on the plan design:

- Forfeited at the end of the plan year
- Rollover of up to \$550 of the balance to the next plan year. Remaining balances are then forfeited.
- Grace Period allows expenses in the first few months of a new plan year to be paid with old plan year funds. Remaining balances are then forfeited.

¹The Blue Cross and Blue Shield of Vermont Visa Debit Card is issued by The Bancorp Bank, pursuant to a license from Visa U.S.A. Inc. and can be used for qualified expenses wherever Visa debit cards are accepted.

Depending on an employee's tax bracket, an employee can save nearly 30 percent on most medical, health and child or elder care expenses. An employee earning \$30,000 with a \$2,000 FSA contribution can save an estimated \$300 in taxes.

Learn more. Talk to a health care spending administration expert.

Your Blue Cross and Blue Shield of Vermont sales representative can provide you with more information.

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FSA

Simple set up.
Seamless
Implementation.
Superior service.



Blue Cross[®] and Blue Shield[®] of Vermont makes FSAs easy for you – and your clients

A flexible spending account (FSA) is a personal expense account that works with an employers' health plan, allowing employees to set aside a portion of their salary pretax to pay for qualified medical and dependent care expenses. An FSA offers your clients a smart way to help employees plan for health care costs and save money on their taxes at the same time. Employers benefit too, with reduced employee payroll taxes.

Outstanding support for you and your clients

Your clients and employees have access to 24/7 support tools to ensure they're getting the most out of their FSAs. Our high-touch service model provides one-on-one training sessions and a whole team of account executives and customer service representatives. This ensures seamless administration and empowers employees to take an active role in their health care spending decisions.

Employers save time, money

Blue Cross and Blue Shield of Vermont's FSA plan is easy to implement and offers your clients valuable benefits, including:



Flexibility Your clients can offer FSAs with almost any group health plan, and may allow employees to carry over up to \$500 of their unused FSA funds.



Reduced administration Employees can manage their accounts from any mobile device and enjoy the convenience of a simple claims and reimbursement process.



Added value to any benefits package, helping to attract and retain employees and empower them to make smart spending decisions.



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User-friendly tech and tools make it easy for your clients to manage their FSAs 24/7

- **Portals** – broker, employer, member
- **Mobile app** (*available in 2021*)
- **Debit card** – simple, seamless and smart. Funds draw from designated flexible spending account(s) automatically. Free cards with no fees..



Each FSA account comes equipped with:

- Zero fees for:
 - Account opening and closing
 - Replacement debit card(s)
- Online and paper account enrollment
- Debit card

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Dependent Care Flexible Spending Account (FSA) worksheet

It is important to estimate your out-of-pocket expenses since any unused funds at the end of the year or grace period will be returned to your employer. Use this worksheet to calculate how much you should set aside for your dependent care FSA.

Estimate your dependent care expenses

(The IRS allows a 2020 maximum contribution of **\$5,000**)

<i>Dependent care expenses</i>	
Licensed day care, nursery or preschool	\$
Before and after school care ¹	\$
Summer day camps (not overnight camp) ¹	\$
Eldercare ²	\$
Other:	\$
Estimated total out-of-pocket dependent care expenses	\$

Estimate your annual tax savings from a dependent care FSA

Enter your estimated total out-of-pocket health care expenses from above	\$
Enter your tax rate ³ and multiply	x %
This is your estimated annual tax savings by using a dependent care FSA	\$

¹Before and after school care by a licensed provider are considered child care by the IRS. Summer day camps also count as child care. Expenses for overnight summer camps and tuition for kindergarten and first grade (or higher) generally do not qualify for dependent care credit.

²When an elderly or disabled parent is considered a dependent on your taxes and you are covering more than 50% of their maintenance costs.

³Depends on your tax filing status. Please consult your tax advisor with questions.

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Medical Flexible Spending Account (FSA) worksheet

A medical flexible spending account (FSA) is an easy way for you to pay for health care costs tax-free. It is important to estimate your out-of-pocket expenses since any unused funds at the end of the year or grace period will be returned to your employer. Use this worksheet to calculate how much you should set aside for your medical FSA.

Estimate your medical expenses

(The IRS allows a 2020 maximum contribution of **\$2,750**)

Estimate your annual cost for out-of-pocket medical expenses	
Out-of-pocket costs up to your deductible, along with co-pays or co-insurance	\$
Prescription drugs	\$
Medical supplies (insulin and diabetic supplies)	\$
Out-of-pocket dental, vision and hearing expenses	
Checkups and cleanings	\$
Fillings, X-rays, crowns, bridges, dentures, inlays	\$
Orthodontia	\$
Eye exams	\$
Prescription eyewear – glasses, contact lenses and cleaning solution	\$
Corrective eye surgery – LASIK, cataract, etc	\$
Hearing aids and batteries	\$
Estimated total out-of-pocket health care expenses	\$

Estimate your annual tax savings from a medical FSA

Enter your estimated total out-of-pocket health care expenses from above	\$
Enter your tax rate ¹ and multiply	x %
This is your estimated annual tax savings by using a medical FSA	\$

¹ Depends on your tax filing status.
Please consult your tax advisor with questions.

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